

Arizona Department Of Revenue

Transaction Privilege & Use Taxes

differences between state statute & model city tax code

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

ADVERTISING

SEC. 405

State

Does not tax.

City

City uses the old State Code
The Cities can elect not to tax by
selecting Local Option "G".

AMUSEMENTS

A.R.S. §42-5073

SEC. 410

State

State specifically exempts:

Musical, dramatic or dance groups
or a botanical garden, museum or zoo
that qualifies as a nonprofit 501(c)(3).

Nonprofit 501(c)(3)(4)(6) association
with major league baseball, professional
golf association.

Rodeos 501(c)(3-8).

City

City lists specifically: jukeboxes,
batting & driving ranges, animal
rides.

City Options:

Exempt unless **Local Option**

"H": Health spas, fitness
centers, dance studios &
rental of premises for sports,
athletic or other health related
activities or instruction per-event
or long term including
membership fees.

Taxable unless **Local Option**

"J": Golf green fees. Also see
Sec. 270 for other Non-profit
[501©] exemptions.

Intercollegiate football 501(c)(3).

Exempts private or group instructional.

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

AMUSEMENTS (Continued)

A.R.S. §42-5073
State

SEC. 410
City

No specific exemption
activities and activities/projects of bona fide
religious or educational institutions.

Exempts membership to
health/fitness establishments or a
private recreational establishment.

Refer to **Local Option H** above.

Exempts events by homeowners organi-
zations.

No specific exemption.

Exempts amounts exempt under ARS 5-111
(Horse and Dog Racing).

No language in the Model Code

Exempts memberships fees that provide for
the right to use a transient lodging recreation
establishment including golf, tennis and
racquet courts for 28 days or more.

No language in the Model Code

Exempts sales for resale of amusement
activities.

No language in the Model Code

CONSTRUCTION:

A.R.S. §42-5075– PRIME CONTRACTING

SEC. 415 - GENERAL

State

City

Bond Required

No Bond Required

Installation of window coverings
(drapes,mini-blinds, etc.) contracting.

Installation of window covering (drapes,
mini-blinds, etc.) is retail, and installation
is retail service. (EXCEPT FOR
TUCSON)

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

CONSTRUCTION (Cont'd):

A.R.S. §42-5075 – PRIME CONTRACTING

SEC. 415 - GENERAL

State

City

Exemption for construction
in a military reuse zone.

No exemption. However, Local Option
K exempts construction on Ft.
Huachuca. Local Option D - Sec. 290
offers an exclusion for contracting on a
military reservation.

Contractors Certificate from prime to
subcontractor avowing liability
for tax.

Has always allowed a written
declaration of accepting liability for tax.

MANUFACTURED BUILDINGS
SEC. 427 (effective 1995)

State

City

This classification is found under the
prime contracting classification.

Manufactured buildings are
taxable at dealer location. The sale
includes set up there is no 35%
deduction. There is no trade-
in allowance. Sales of used
manufactured buildings are non-taxable.

Manufactured housing remains
from under the Prime Contracting
Classification.

Manufactured Housing was removed
the Contracting Classification into a new
classification Sec. 427 - Manufactured
Buildings(1995 AMENDMENTS).

**TRANSACTION PRIVILEGE AND USE TAXES
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A.R.S. §42-5076

**SEC. 417 - OWNER BUILDER
SEC. 416 - SPECULATIVE BUILDER
SEC 418 - DEDUCTIONS FOR SPEC.
& O.B.**

State

City

State has no specific section with reference to speculative builders. reconstruction contracting.

Sec. 416 deals with Speculative builders
Exclusions: prior value allowed for

No land deduction allowed unless Local Option "M" or "N" is selected (Cost or Fair Marke Value).

State has code section specifically for Owner Builder.

City is basically the same except:

Sec. 418: Deductions:

No credit allowed.

Credit allowed for Transaction privilege/ excise tax paid to a taxing jurisdiction or vendor with respect to Tangible Personal Property incorporated into a structure.

No credit allowed.

Credit allowed for Transaction privilege tax charged to customer by Construction Contractor, Speculative Builder or Owner Builder on gross income derived from construction or improvements to real property.

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

FEED AT WHOLESALE

A.R.S. NO NEW # (§42-1310.15)

SEC. 420

State

City

[SB1441 1994] Feed classification
Repealed as of 10/1/1994

Local Option P: Specifically allows
no deduction for sales for 'resale' of
such feed.

JET FUEL SALES

A.R.S §42-5351 thru 5354

SEC. 422

State

City

State taxes jet fuel sales.

[Rev. 11/91] Non-taxable unless Local
Option "LL" is selected.

JOB PRINTING

A.R.S. §42-5066

SEC. 425

State

City

Deduction for items distributed
without consideration in connection with
the publication of a newspaper or
magazine.

City has no deduction. Instead the City
allows an exemption of job printing of
newspapers, periodicals, publications,
for a person who is subject to this tax or
an equivalent excise tax if they are
properly licensed.

Deduction for qualifying health
care facilities.

Deduction only if Model Option #3 is
adopted. For other Non-Profit
exemptions see **Sec. 270**.

[HB2069 9/92] Allows an exemption for
use outside the state if the vendor ships or
delivers the material outside the state.

Must meet the qualification under the
definition of Out-of-State sales.

[HB2545 1994 retro to 7/1/88] further
modified the exemption to read: ...if
shipped or delivered regardless of where title passes.

**TRANSACTION PRIVILEGE AND USE TAXES
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JOB PRINTING (Continued)

A.R.S. §42-5066

SEC. 425

State

City

Sales of postage and freight except that
The amount deducted shall not exceed
The actual postage and freight expense
that is paid to the US postal service or a
commercial delivery service and that is
separately itemized by the taxpayer on
the customer's invoice.

No deduction allowed

PUBLISHING

A.R.S. §42-5065

SEC. 435

State

City

State has advertising as a deduction.

Tax base includes advertising.

No equivalent definitions.

City defines: Location of Publication
Subscription Income
Circulation and
Allocation of taxes between cities/towns

MINING

A.R.S. §42-5072

SEC 432

State

City

The mining classification is Non-
metalliferous mining. Metalliferous
Mining is taxed under Severance
A.R.S. §42-5201.

The mining classification is metalliferous
as well as non-metalliferous mining.
The legislature imposed a maximum of
1/10 th of 1% for the city rate in 1996.

Taxes sand and gravel operations
operations.

Specifically exempts sand and gravel

NOTE: Non-metalliferous means neither yielding or containing metal and includes oil,
natural gas, limestone, etc.

**TRANSACTION PRIVILEGE AND USE TAXES
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**SEVERANCE A.R.S. §42-5202
TIMBERING AND OTHER EXTRACTION SEC 430**

<u>State</u>	<u>City</u>
Extraction of metalliferous minerals is classified under severance tax. extraction etc.	The Timbering and other extraction tion includes timbering and gas
Timbering is no longer taxable under the Severance tax	

**RENTAL OF REAL PROPERTY
A.R.S. §42-5069 SEC. 445**

<u>State</u> ***Rate to Zero as of 7/1/97***	<u>City</u>
	Taxes residential rentals unless select Local Option "S" to exempt.
	Allows an exemption for the FMV of one apartment rent fee to an employee for each 50 rental units.
	Taxes one unit of rental unless select Local Option "R" to exempt one as casual or Local Option #OO to exempt all Commercial leases.
	Exempts rentals to non-profit primary health care facilities, unless select ModelOption #4 to tax.
	Exempts 3 lodging units or less unless select Model Option 5A
	Exempt 2 units or less unless Select Model Option 5B to tax all.

**TRANSACTION PRIVILEGE AND USE TAXES
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RENTAL OF REAL PROPERTY (Continued)

A.R.S. §42-5069

SEC. 445

State ****Rate to Zero as of 7/1/97****

City

Follows the old State code and includes in the tax base charges for utilities passed on to the lessee unless individual utility meters are installed

The City taxes licensing agreements.

Tax liability lies with the entity closest to the tenant. Broker/Manager of the property would be liable for the tax. Per Reg. 100.1(c) A broker acting solely for a buyer, **lessee**, tenant

...shall be liable for such tax and for filing a return...only to the extent his principal is subject to the tax.

TRANSIENT LODGING A.R.S §42-5070
HOTELS SEC 444 & SEC 447

State

City

Exempts operating convalescent home, home for aged, hospitals, jails, military installations or fraternity or sorority house or non-profit facilities

Does not have a specific exemption

Exempts lease or rental of mobile home or house trailer at fixed location for 30 days or more.

No exemption - taxes residential under rental of real property - no transient lodging

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

**TRANSIENT LODGING A.R.S §42-5070
HOTELS SEC 444 & SEC 447 (Continued)**

<u>State</u>	<u>City</u>
State does not have additional tax.	Under Sec. 447 imposes and additional tax on transient lodging. This is an amount in addition to the standard tax rate imposed under Sec. 441 and is commonly referred to as a bed tax. Exempted if select Model Option #6.
[SB1344 (1995) eff 7/13/95] Exempts Bed & Breakfast operations if rent four or fewer room of an owner-occupied residential home together with furnishing no more than a breakfast meal, to transient lodgers at no more than 50% average annual occupancy rate.	No Exemption exists Model Code

RENTAL OF TANGIBLE PERSONAL PROPERTY

<u>A.R.S. §42-5071</u>	<u>SEC. 450</u>
<u>State</u>	<u>City</u>
State taxes leases at site of lessor unless the lessor does not have an Arizona business location, then it is taxed at the location of the lessee.	City taxes long term leases 180 days or more(Vehicle leases of 24 months or more are taxed at the location of the dealership rather than at the lessor's locations).
Exempts coin operated laundries.	Exempts coin operated laundries and car washes Unless: select Model Option #7 to tax.
No specific exemption.	Exempts joint pole usage in furnishing utilities.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

RENTAL OF TANGIBLE PERSONAL PROPERTY (Continued)

A.R.S. §42-5071

SEC. 450

State

City

Exemptions:

Activities engaged in by AZ coliseum and exposition center board or county fair commissions.

City has no such exemption.

Leases between a parent and subsidiary corporation if 80% or more is owned.

City has no such exemption

Not part of state statute.

Taxes under rental of tangible personal property, that which is semi-permanently or permanently installed, rather than deeming it contracting.

Exempts mobile transportation equipment designed for use at different locations. e.g., crane, trencher, auto, camping equipment, chain saw, forklift, invalid needs. (clarified in Reg. 450.1 thru 450.5.)

[HB2452 9/91] The tax base does not include car rental surcharge under §48-4234.

No specific exemption.

Taxes leasing or renting animals for recreational purposes

No specific provision (see amusements)

[HB2459 8/2004] Exemption for the first's month's automobile lease payment received by a motor vehicle dealer if the lease payment is transferred to a third party leasing company.

No Specific exemption

State statute does not allow for deduction of separately billed charges for delivery, repair and/or maintenance

Allows for deduction of separately billed charges for delivery, installation, repair installation, and/or maintenance

**TRANSACTION PRIVILEGE AND USE TAXES
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RESTAURANT AND BARS

A.R.S. §42-5074

SEC. 455

State

City

Deductions:

Sales by congressionally chartered veterans organization.

No deduction allowed.

Sales by churches, fraternal benefit societies and other non-profit 501(c) organizations.

No specific deduction; however, do not generally tax 501(c) non-profit organizations. (See Sec. 270)

Sales by 501(c) associated with a major league baseball team or national touring golf association.

No deduction. (But see Sec. 270)

Sales by 501(c) associated with rodeos.

No deduction. (But see Sec. 270)

[HB2030 9/90]Sales by non-profit organization operated for charitable purposes and recognized by the IRS.

No specific deduction; however, do not generally tax 501(c) nonprofit organizations.

Sales to Qualifying Hospitals and qualified healthcare organizations but not primary health care facilities.

Cities also specifically exempt non-profit primary healthcare facilities.

No specific deduction

Local Option D, Sec. 290 exempts operations on a military reservation.

Prepared food, drink or condiment donated by a restaurant to a nonprofit organization that regularly serves food to the needy and indigent

No exemption

Note: The exemption for food and assessories sold to schools is slightly different. The City exemption is broader.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

RETAIL SALES

A.R.S. §42-5061

SEC 460 & SEC. 465

State

City

No two tier tax.

Can select Local **Option "V"** and institute a two tier tax. For single large dollar items. Below a certain dollar amount the tax would be at one rate and above that amount at another rate. Usually the tax rate for the amount below the dollar limit is the same as the city standard rate and the tax rate for the amount over the dollar limit is at a lower rate.

No exemption.

Local **Option D**, Sec. 290 exempts sales on a military base.

42-5061.A.15 & 16 Exempts food for home consumption

Exempts food for home consumption unless:

Model **Option #2** is selected, then only food purchased with food stamps is exempt. (see Sec. 120 definition: food for home consumption.

42-5061.A.17 - Exempts sales of textbooks by State University or Community College.

Taxable unless:

Local **Option "Z"** to exempt.

42-5061.B.5 Exempts neat animals.

Taxable unless:

Local **Option "W"** is selected to exempt.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

RETAIL SALES (Continued)

A.R.S. §42-5061

SEC 460 & SEC. 465

State

City

42-5061.A.43 Exempts sales of seed, fertilizer etc to persons engaging in farming, ranching or feeding livestock or poultry commercially

Exempt unless:

Model **Option #10** is selected to tax.

42-5061.A.18 - Exempts food provided to restaurant employees without charge during hours of employment.

Taxable unless:

Local **Option "AA"** to exempt.

42-5061.A.19 - Exempts sales of food or drink & accessories to a public school district.

City exemption broader

No exemption.

Taxable - Tangible Personal Property destroyed by stress testing for purposes of development engineering, information or quality control UNLESS Local **Option "CC"** to exempt.

42-5061.A.26 - Magazines, periodicals publications sold by the state to promote tourism.

No specific exemption

42-5061.A.28.1 - Exempt motor vehicle sale with a 30 day drive out plate.

No exemption (see Sec. 100 definition of "Out of City Sale")

42-5061.A.28.2 - Exempts sales to an enrolled member of an Indian tribe living on that tribes reservation.

No exemption - follows the old AZ law (see Reg. 100.4 - Out of State Out of City AUTOS ONLY) sales to Indians)

42-5061.A.30 - Exempts sales by non-profit major league baseball, and professional golf association. [HB2030 1992 retro 1/86]

No specific exemption. (See Sec. 270)

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

RETAIL SALES(Continued)

<u>A.R.S. §42-5061</u>	<u>SEC 460 & SEC. 465</u>
<u>State</u>	<u>City</u>
42-5061.A.32 Exempts sales by a non-profit rodeo [HB2030 1992 retro 8/84]	No specific exemption (See Sec. 270)
42-5061.B.13 Exempts new machinery consisting of tractors, tractor drawn implements, self-powered implements or drip irrigation lines.	<u>Taxable Unless:</u> Sec. 110 Local Option A Income producing capital equipment
42-5061.B. 29 Exempts machinery, equipment, technology or related supplies useful to assist a physically disabled individual. [SB1045 eff 10/93]	No specific exemption
42-5061.A.37 exempts sales of paper machine clothing sold to a paper manufacturer. [1993 Legis.]	No specific exemption.
42-5061.A.38 exempts sales of coal, petroleum coke, natural gas, virgin fuel oil and electricity sold to an environmental technology manufacturer. [1993 Legis.]	No specific exemption.
42-5061.B. 13 exempts new machinery or equipment that are necessary for extracting/cooling milk & livestock (self-powered). [HB2228 (1995) retro 4/8/85]	No specific exemption
42-5061.J.3 exempts overhead materials or other tangible personal property used in performing government contracts. [SB1177 eff 7/13/95]	No specific exemption

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

TELECOMMUNICATIONS

A.R.S. §42-5064

SEC. 470

State

City

Exempts carrier access charges
47 Code Fed. Reg Sec 69.105(a)
thru 69.118. and User Common
Line Charges47 Code Fed Reg.
Sec 69.104(a). [SB 1345 1993]

No Specific exemption.

No credit allowed.

Allows a credit to offset franchise fees.
Unless

Model **Option #11** is selected to
disallow any offsetting credit.

Cable television systems not taxed

Cable TV is taxed Unless:

Local **Option "DD"** is selected to
exempt

No exemption.

Local **Option D**, Sec. 290 offers
an exemption for transactions on
a military reservation

State does not tax security and burglar
alarm monitoring

Specifically includes security and
burglar alarm monitoring in the
telecommunications classification

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

TRANSPORTING FOR HIRE

A.R.S. §42-5062

SEC. 475

A.R.S. §42-5067 - Pipeline Classification

A.R.S. §42-5068 - Private Car Classification

State

City

Taxable: Transporting persons, freight or property by motor vehicle including operation of private car lines.

TAXBLE UNLESS:
Model **Option #12** is
selected to exempt

Exempts if motor carrier fee has been paid

TAXABLE UNLESS:
Model **Option #12** is selected to
exempt as above or Local Option
"FF" to specifically exempt towing

Taxes transporting of persons/property to a point outside the city.
exempt.

Taxable UNLESS
Local **Option "EE"** is selected to

[SB1358 (1994) retro 1/1/88] Exemption for a railroad pursuant to a contract with another railroad when the other railroad is subject to the tax.

No specific exemption.

[SB1001 10/2004] Exempts fertilizer shipped by railroad from one location in this state to another.

No specific exemption.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

UTILITIES

A.R.S. §42-5063

SEC. 480

State

City

No credit offset for franchise fees.

Tax Credit for franchise fees UNLESS
Model **Option #13** is selected to
disallow credit.

No exemption.

Local **Option D**, Sec 290 offers an
exemption for a military reservation.

Local **Option GG** taxes utility users that
are not within the town limits unless the
user is subject to tax by another city.

No exemptionin

Exempts sales of natural gas to a public
utility for the purpose of generation of
power to be transferred by the utility to
its ratepayers.

USE TAX

A.R.S. §42-5151 thru 5165

SEC. 601 THRU SEC. 660

NOTE: It should be noted that the city use tax is voluntary for retailers located outside the city.[See Sec. 620] Where city use tax applies, the differences between the Cities and the State are primarily the same as under the Retail Classification with the following exceptions:

State

City
Sec. 610

Jet fuel taxable.

Exempt Unless:
Local **Option "LL"** is selected - taxable.

No two tier tax.

Local **Option "V"** imposes the two tier
tax for Use Tax as well as Retail.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

USE TAX (Continued)

A.R.S. §42-5151 thru 5165

SEC. 601 THRU SEC. 660

Sec. 660

No cost limit.

Exemption for tangible personal property purchased by an individual with a cost under \$1,000 acquired for their own personal use and enjoyment.

No exemption.

Local **Option "JJ"** exempts Tangible Personal Property used/stored by THE city.

No exemption.

Local **Option "HH"** exempts property donated to a 501(c)(3) organization.

42-5159.A.13(c) [HB2030 9/90] - exempts purchases by a nursing care institution or residential care institution or Kidney dialysis center which provides medical services, nursing services or health related services.

No specific exemption.

No exemption.

Local **Option D**, Sec 290 exempts persons residing on a military reservation.

42-5159.A.38 Purchase of tangible personal property which becomes a part of prescription identification cards.

No specific exemption.

No exemption.

The storage, use or consumption of tangible property in the city or town by a school district or charter school.

**TRANSACTION PRIVILEGE AND USE TAXES
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EXEMPTION CERTIFICATES

A.R.S. §42-5009

REG. 360.1 AND REG 360.2

State

City

Allows a policy of accepting the exemption certificate at a date later than the transaction.

City Certificate must be completed at the time of the transaction.

NOTE: Program cities follow the state policy.

MODEL CITY TAX CODE

ARTICLE I General Conditions and Definitions

SEC 100 THRU SEC 120

State

City

§42-5001 - Has the standard definitions required; however, specific classifications have additional definitions within the code.

Model City Code puts all definitions in Sec100 as well as regulations.

Definition is within the Retail Classification and appropriate regulations.

Sec. 110 specifically deals with Income Producing Capital Equipment.

Definition is within the Retail Classification and appropriate regulations and TPR's.

Sec. 115 specifically deals with computer software; custom computer programming.

Definition is within the Retail administrative rules. (A.A.C.rule R15-5-1860)

Sec. 120 specifically deals with food for home consumption.

MODEL CITY TAX CODE

ARTICLE II - Determination of Gross Income

SEC. 200 thru SEC. 290

A.R.S. §42-5002 - Exclusions from Gross Income

Sec. 200 - Determination of Gross income: in general

No difference between State and City.

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

**Sec. 210 - Determination of gross income:
transactions between affiliated companies or parties.**

No difference between State and City.

**Sec. 220 - Determination of gross income:
artificially contrived transactions**

No difference between State and City.

**Sec. 230 - Determination of gross income
based upon method of reporting**

No difference between State and City.

**Sec. 240 - Exclusion of cash discounts, returns, refunds, trade-in values, vendor-
issued coupons, and rebates from gross income.**

No difference between State and City.

**Sec. 250 - Exclusion of combined taxes from gross income;
itemization; notice; limitations**

No difference between State and City for Excess tax and Factored Tax.

**MODEL CITY TAX CODE
ARTICLE II - Determination of Gross Income
SEC. 200 thru SEC. 290 (Continued)
A.R.S. §42-5002 - Exclusions from Gross Income**

Sec. 260 - Exclusion of motor vehicle fees and taxes from gross income.

No difference between State and City.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

Sec. 270 - Exclusion of gross income of persons deemed not engaged in business.

<u>State</u>	<u>City</u>
State does not have a 15% threshold.	Transaction involving proprietary clubs and organizations exempt as 501(c) where the gross revenue of the activity received from persons other than members and bona fide guests of members in an amount in excess of 15%, the entire gross income of such entity shall be subject to the applicable tax.
State does not have an attendance limitation.	Local Option KK: fund raising activities of charitable, religious, or educational organizations which include events for which admission is charged where attendance exceeds 10,000 shall be deemed regularly conducted business activity for the purposes of taxation.

MODEL CITY TAX CODE

Sec. 280 - Exclusion of transactions with specified governmental agencies (Reserved for Local Option B)

<u>State</u>	<u>City</u>
Exempts transactions by Federal Government, it being the only power higher than itself.	City may exempt itself and all other governmental agencies higher than itself. OR the city may pick: The Federal Government, The Federal and State Governments The Federal, State and County governments The Federal, State, County and other city governments All of the above including itself.

**TRANSACTION PRIVILEGE AND USE TAXES
DIFFERENCES BETWEEN
STATE STATUTE AND MODEL CITY TAX CODE**

MODEL CITY TAX CODE

**Sec. 285 - Determination of gross income:
moratorium on certain taxes relating to certain real property.**

State

State does not have.

City

Moratorium period of _____ years for construction activity on specific real property. This is usually imposed when a city annexes additional areas.

MODEL CITY TAX CODE

**ARTICLE III - Licensing and Recordkeeping
Sec. 300 thru Sec. 370**

State

One time only licensing requirement

City

Local Option "F" provides for an annual renewal of the transaction privilege tax. The fees vary from city to city.

MODEL CITY TAX CODE

**ARTICLE V - Administration
Sec. 500 thru 595**

The administrative area has three versions.:

The Standard Model City Tax Code version is for all cities and is modified by Appendix I for program cities and Appendix IV for program cities with their own audit staff.

Confidentiality

A.R.S. §§42-2001-2003

State

Due to relationship with the Internal Revenue Service and Federal tax information, state confidentiality statutes are more restrictive than the Model City Tax Code.

Sec. 510

City

**TRANSACTION PRIVILEGE AND USE TAXES
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STATE STATUTE AND MODEL CITY TAX CODE**

Civil Penalties

A.R.S. §§42-1125

Sec. 540

State

City

Failure to file penalty is 4.5% each month of tax required to be shown on the return not to exceed 25% of tax remaining due.

Failure to file penalty is 5%. Same 25% maximum.

Failure to pay penalty is .5% each month not to exceed 10%. Maximum combined failure to file and failure to pay is 25%.

Failure to pay penalty is 10%. The same maximum combined penalty as state.

**OTHER ADMINISTRATIVE
PROCEDURES**

Hearing at the Directors level.

No administrative procedure beyond the formal hearing before a hearing officer. Unless it is a program city and the department is handling audit in conjunction with a state audit.

Filing at Board of Tax Appeals.

Unless it is a program city and the department is handling the audit in conjunction with a State audit the cases must go directly to Tax Court.

42-5010.H & I exempt contracts written before the effective date of of any increase in the tax rate.
[SB1141 7/2004]

Only section 415, 416 & 417 have the pre-existing clause in their code. All other pre-existing contracts are done by ordinance.

[SB1274 7/2004] DOR must issue its final ruling on an audit of a taxpayer within 2 years from the date of the initial audit contact.

No specific provision.